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Attention: Energy writers

A.C.C.C. AUTHORISES JOINT MARKETING OF PNG GAS

The Australian Competition and Consumer Commission has issued a determination authorising* the joint marketing in Australia of gas from the proposed Papua New Guinea Gas Project.

"The ACCC has decided to grant authorisation to the ExxonMobil Group, Oil Search Group, the Mineral Resources Development Company Limited Group, the Merlin Petroleum Company and AGL Gas Developments (PNG) Pty Limited for 16 years allowing them to agree on common terms and conditions, including price, at which they will offer gas for sale to potential customers", ACCC Commissioner, Mr Ed Willett, said.

The project is a joint venture enterprise and involves the production and sale of PNG gas to customers in Australia. The project is expected to commence gas sales into Australia in 2009 following construction of a PNG to Queensland pipeline. The initial capital costs of the project are likely to be in the order of \$4 billion and the capacity of the project could be as high as 300PJ per annum.

"The project will bring a new source of gas supply to eastern Australia and with it substantial public benefits", Mr Willett said. "The ACCC is satisfied that the public benefits outweigh any anti-competitive detriment.

"The ACCC shared the concerns raised in public submissions regarding the joint venture partners' proposal that authorisation should continue for the life of the project (about 30 years). Nevertheless, the ACCC agrees with the applicants that equity holders and the project's financiers require a reasonably long term authorisation in order for the project, which involves substantial up-front investment, to proceed and the public benefits to be realised. Accordingly, the ACCC has granted authorisation for 16 years.

"The applicants demonstrated a willingness to address concerns about the possibility of commercially sensitive information being used in an anti-competitive manner and have agreed to establish ring-fencing measures to restrict the transfer of commercially sensitive information concerning the project".

In making its determination the ACCC consulted widely with interested parties and the members of the Australian Energy Regulator (AER).

The ACCC issued its draft determination in January 2006 proposing to grant authorisation for 16 years. Following the entry of AGL into the project, in March 2006 the applicants amended their application for authorisation to include AGL as one of the parties.

More information regarding the application and a copy of the determination will be available from the ACCC's website, www.accc.gov.au, or by contacting the ACCC on (02) 6243 1233.

Media inquiries

Mr Ed Willett, Commissioner, (02) 9230 9106 or 0414 559 999

Ms Lin Enright, Director, Public Relations, (02) 6243 1108 or 0414 613 520

General inquiries

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MR 97/06

8 May 2006

BACKGROUND

* The *Trade Practices Act 1974* prohibits certain forms of anti-competitive agreements, including agreements between competitors that limit the terms (including price) on which they deal. Authorisation provides immunity from court action under the Act arising from such agreements but can only be granted where the ACCC is satisfied that the public benefit flowing from the conduct outweighs any public detriment. Joint marketing of PNG gas was conducted under an interim authorisation.